

Message Text

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ACTION EA-10

INFO OCT-01 ARA-06 EUR-12 ISO-00 NSC-05 NSCE-00 CIAE-00

DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 PA-01 PRS-01

SP-02 SS-15 USIA-06 EB-07 COME-00 AGR-05 SAJ-01 NIC-01

/087 W

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R 070815Z APR 75

FM USLO PEKING

TO SECSTATE WASHDC 3520

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY CANBERRA

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: EAGR, ETRD, CH, CA

SUBJECT: PRC WHEAT PURCHASE FROM CANADA

1. ACCORDING TO THE CANADIAN EMBASSY COMMERCIAL COUNSELOR, THE CHINESE HAVE PURCHASED 1.1 MILLION LONG TONS OF WHEAT FROM CANADA UNDER THE SECOND YEAR OF THE THREE YEAR LONG TERM AGREEMENT (LTA). THE NEGOTIATIONS WERE COMPLETED IN PEKING LAST WEEK AND DETAILS ARE TO BE ANNOUNCED IN OTTAWA.

2. THE SALE BRINGS CHINESE PURCHASES THUS FAR UNDER THE LTA TO 3.1 MILLION TONS, OR ABOUT TWO-THIRDS OF THE MINIMUM QUANTITY SPECIFIED FOR THE THREE YEAR PERIOD. (THE LTA CALLS FOR THE PURCHASES OF 4.8 TO 6.0 MILLION LONG TONS FROM 1974-1976.) THE CHINESE HAVE THUS BOUGHT THE LEAST FROM CANADA THAT MIGHT HAVE BEEN ANTICIPATED FOR THE SECOND YEAR OF THE AGREEMENT AND, MOREOVER, DELIVERY DATES ARE STRETCHED FORWARD; THE NEW CONTRACT PROVIDES LIMITED OFFICIAL USE

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FOR DELIVERY OF THE 1.1 MILLION TONS FROM MAY 1975 THROUGH MARCH 76.

THIS SAME SITUATION - MINIMUM QUANTITY AND STRETCHED FORWARD
DELIVERY DATES - CHARACTERIZED THE RECENT CHINESE PURCHASE FROM
AUSTRALIA (PEKING 176).

3. LAST YEAR THE CHINESE BOUGHT 3 MILLION TONS FROM CANADA FOR
DELIVERY IN CY 1974 -- 2 MILLION UNDER THE LTA AND 1 MILLION OUTSIDE
THE LTA. THE CANADIAN COMMERCIAL COUNSELOR HAS CONFIRMED
TO US, HOWEVER, THAT DELIVERIES OF ONE MILLION TONS SLIPPED INTO
EARLY 1975, IN PART BECAUSE OF CANADIAN DOCK STRIKES AND IN PART
BECAUSE OF CHINESE REQUESTS FOR DELIVERY DELAYSM

4. AGAINST THE BACKGROUND OF CHINESE REQUESTS DURING THE LATTER PART
OF 1974 FOR DELIVERY POSTPONEMENTS FROM VARIOUS SUPPLIERS, THE
CANCELLATION OF 1975 WHEAT ORDERS FROM THE US, AND THE RECENT
PURCHASE FROM AUSTRALIA, THE NEW CANADIAN SALE IS NOT SURPRISING.
THE CHINESE ARE LIVING UP TO THEIR MULTI-YEAR COMMITMENTS WITH
CANADA AND AUSTRALIA, THEIR TWO MAIN SUPPLIERS, BUT ARE BUYING AS
LITTLE AS POSSIBLE. (WE EXPECT THE SAME WITH ARGENTINA WITH WHICH THE
CHINESE ALSO HAVE A THREE YEAR AGREEMENT.) AS WE HAVE STATED BEFORE,
WE BELIEVE THIS IS DUE PRIMARILY TO FOREIGN EXCHANGE PROBLEMS, AND AL
SO TO
REASONABLY GOOD CROPS RESULTS IN 1974.
BUSH

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